

..... moves that the Legislative Commission on Pensions and Retirement, having received a recommendation for an employee contribution increase and an employer contribution increase for the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) from the MSRS Board of Directors on January 15, 2015, and having considered that recommendation as provided for under Minnesota Statutes, Section 352.045, Subdivision 3a, on March 3, 2015, and on March 24, 2015, recommends against the recommended contribution rate increases and directs the executive director of the Commission to communicate this response to the MSRS Board and to the MSRS executive director.

January 15, 2015

The Honorable Sandy Pappas, Chair  
Legislative Commission on Pensions and Retirement  
323 Capitol  
75 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155-1606

Dear Senator Pappas:

I am writing on behalf of the Board of Directors of the Minnesota State Retirement System (MSRS) regarding Minnesota Statutes, Section 352.045, subdivision 3a, which requires the Board to make a recommendation to increase employee and employer contributions equally when the total required actuarial contributions have been deficient by 0.5 percent of pay, or more, for two consecutive years.

The actuarial required contributions for the MSRS General Plan were deficient by 2.5 percent of pay as of July 1, 2013, and deficient by 1.8 percent of pay as of July 1, 2014. However, on a market value, the actuary has projected a sufficiency of 1 percent for our General Plan; and, at the MSRS Board meeting today, the Board voted not to propose any contribution rate increases this year. The Board also voted not to seek contribution increases for the Correctional Plan and the State Patrol Plan, based on the improved funding using the market value of assets.

The current law directs that a recommendation by the Board must be reported to the Chair and the Executive Director of the Legislative Commission on Pensions and Retirement (LCPR) by January 15 following receipt of the most recent annual actuarial valuation report. The law further directs that if the LCPR does not recommend against the change, or modify the Board's recommendation, the rate change becomes effective the first day of the first full pay period in the next fiscal year. *[The MSRS actuarial valuation report can be found on the LCPR website.]*

Because the law requires a contribution rate increase, the MSRS Board reluctantly took action to recommend a contribution rate increase of 0.001 percent of pay each for employees and employers of the MSRS General Plan. The Board made a similar recommendation to increase the Correctional Plan employee contributions, along with an applicable employer contribution rate increase.

The MSRS Board prefers to recommend no increases, and is asking the LCPR to reject this minimal increase they approved in order to comply with the law. The Board will be introducing legislation this year to give the Board greater flexibility in implementing contribution rate changes. We believe the current law is too restrictive as illustrated by the content of this letter.

If you have any questions, please feel free to contact me directly at (651) 284-7888 or at [dave.bergstrom@msrs.us](mailto:dave.bergstrom@msrs.us).

Sincerely,

David Bergstrom  
Executive Director

Cc: Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement